

PUBLIC DISCLOSURE

APRIL 30, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

RIVER WORKS CREDIT UNION

947 WESTERN AVENUE
LYNN, MA 01905

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

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| <p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p> |
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **RIVER WORKS CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

The assessment of River Works Credit Union's record of CRA performance is based upon its efforts in meeting the criteria outlined in this report. Although the analysis of the credit union's net loan to share ratio for the period June 30, 2000, through December 31, 2001, indicates a low percentage, the decline in membership and the downsizing of the General Electric plant has had a significant impact on this ratio. However, the distribution of loans originated in 2001 and year-to-date March 31, 2002 reflects reasonable penetration among members of all income levels and is considered to meet the standards of satisfactory performance. A review of the credit union's fair lending policy and practices revealed no evidence of discriminatory or illegal credit practices.

PERFORMANCE CONTEXT

Description of Institution

The River Works Credit Union, formerly General Electric River Works Employees Credit Union, was chartered by the Commonwealth of Massachusetts in 1936. The credit union was originally established to serve the employees of the General Electric River Works plant in Lynn. In February 2002 the credit union received permission to change from an industrial credit union to a community credit union, with the new name of Riverworks Credit Union. For purposes of this examination, however, the credit will be evaluated as an industrial credit union due to the very recent approval of the bylaws change

River Works Credit Union operates one office, with 17 full and part time employees. Its main office is located at 947 Western Avenue in Lynn. The credit union's hours of operation appear reasonable and convenient for its membership. The office is opened on Saturdays and extended hours are offered during the week.

An Automated Teller Machine (ATM) is located at the main office. In addition, the credit union maintains freestanding ATMs at the GE River Works plant located across the street from the credit union's office, and in the Electric Insurance Company office in Beverly. These off-site, freestanding ATMs are cash dispensing only and do not accept deposits. All ATMs are linked to the NYCE, NOVUS, EXCHANGE, CIRRUS, VISA and SUM networks.

As of December 31, 2001, the credit union had assets of \$44 million dollars. The credit union's total loan portfolio was approximately \$14.5 million or 33.0 percent of total assets. The credit union currently offers a variety of consumer and residential credit products. These products include, but are not limited to the following: first mortgages on one-to-four family owner occupied residences, home improvement loans, home equity lines of credit, new and used automobile loans; boat loans; secured and unsecured personal loans and lines of credit. Refer to the following table for details.

Loan Portfolio as of December 31, 2001

| Type of Loans | \$(000) | % Total |
|--------------------------------------------|----------------|----------------|
| Loans Secured by Real Estate | | |
| a. First Mortgage Real Estate Loans | 5,457 | 37.6 |
| b. Other Real Estate Loans/Lines of Credit | 1,923 | 13.3 |
| Consumer Loans | | |
| a. Unsecured Loans/Lines of Credit | 2,777 | 19.1 |
| b. New Vehicle Loans | 2,435 | 16.8 |
| c. Used Vehicle Loans | 1,112 | 7.7 |
| All Other Loans/Lines of credit | 804 | 5.5 |
| Total Loans | 14,508 | 100.0 |

Source: Statement of Financial Condition as of 12/31/2001

The Division of Banks conducted the previous examination for compliance with the Community Reinvestment Act on January 5, 2001. That examination resulted in a rating of Needs to Improve. Other than the credit union's size and resource limitations, there appears to be no significant financial or legal impediments that would limit the credit union's ability to help meet the credit needs of its membership.

Description of Assessment Area

According to the Massachusetts Community Reinvestment Act Regulation, 209 CMR 46.41, a credit union whose membership is not based on residence may delineate its membership as its assessment area. Previous to its by-laws change, River Works Credit Union's by-laws stated that membership in the credit union is limited to current, past and future employees of the General Electric Company, and its affiliates. Membership was also extended to the families of said employees and employees of the credit union. Approved affiliates of the General Electric Company include: Electric Insurance, Butler Services, G.E. Apparatus Service Center, G.E. Corporation Supply, Fitness System, Inc.; and Belcan Corporation. For purposes of the credit union's by-laws, family member is defined as spouse, child, mother, father, sister, brother, grandparent, stepparent, stepchild, in-law, aunt, niece, nephew, cousin and members of their families. As of December 31, 2001, the credit union served 5,831 members.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

The River Works Credit Union's net loan to deposit (share) ratio was calculated by using the data reported in the previous four National Credit Union Administration (NCUA) Call Reports (June 30, 2000 to December 31, 2001). The bank's average net loan to share and deposit ratio for this period is 40.2 percent. The ratio range from a high of 44.4 percent reported in December 2000, to a low of 37.3 percent reported in December 2001. Although this ratio is notably low, it has historically been below 50 percent.

These ratios appear to be quite low, however, there are mitigating factors that must be considered. The credit union's membership has declined by approximately 3.7 percent for the period under review (June of 2000 to December of 2001). Membership continues to decline with the downsizing of the GE plant.

The credit union's average net loan to share and deposit ratio was also compared to other local industrial credit unions. The most recent information available was as of December 31, 2001 and obtained from the NCUA Call Reports. Refer to the following table for more detail.

| COMPARATIVE NET LOAN TO TOTAL SHARE & DEPOSIT RATIO as of December 31, 2001 | | | |
|--------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|---------------------------------------------------|
| Members | Credit Union | Total Assets \$(000) | Net Loan to Shares & Deposit Ratio |
| 1,864 | Lynn Postal District Employees | 10,260 | 87.7% |
| 1,898 | Lynn Firemens | 10,109 | 73.7% |
| 2,374 | Peabody Municipal | 11,357 | 43.6% |
| 5,831 | GE River Works Employees | 44,007 | 37.3% |
| 1,261 | Lynn Police | 10,836 | 37.2% |

As the preceding table indicates, River Works Credit Union's ratio of 37.3 percent is lower than the majority of other local industrial credit unions, although not the lowest. As previously mentioned, the decline of the credit union's ratio can be attributed to the decline in membership and the downsizing of the GE plant. Based on the above information, the credit union continues to marginally meet the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

As mentioned above, previous to its charter change, River Works Credit Union had identified its membership as its assessment area, in conformance with the Massachusetts CRA Regulation 209 CMR 46.41. Consequently, no evaluation of geographic performance factors was conducted.

3 DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of River Works Credit Union's consumer loan originations was conducted to determine the distribution of credit based upon the income levels of borrowers. The credit union originated 600 consumer loans in 2001 and 138 consumer loans as of March 31, 2002. The originations include personal loans, automobile loans, and home equity loans. A sample of 93 consumer loans for 2001 and 23 consumer loans for year-to-date March 31, 2002 was reviewed. All of these loans were extended to members residing in the Boston Metropolitan Statistical Area (MSA), the Lawrence MA-NH MSA and the Lowell MA-NH (MSA). The originations were categorized by the ratio of the applicant's income to the estimated 2001 and 2002 median family incomes of each MSA. The income figures, in the following table, are based on estimated Department of Housing and Urban Development (HUD) information.

| MSA | 2001 | 2002 |
|----------------|-------------|-------------|
| Boston | \$70,000 | \$74,200 |
| Lawrence MA-NH | \$64,100 | \$67,400 |
| Lowell MA-NH | \$70,200 | \$75,200 |

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between 50 to 79 percent of the median family income. Middle income is defined as income between 80 and 119 percent of the median family income. Upper income is defined as income greater than 120 percent of the median family income.

LOAN ORIGINATIONS BY INCOME OF BORROWER BY NUMBER

| % of Median MSA Income | 2001 | | Year-to-Date March 31, 2002 | | Total | |
|------------------------|-----------|--------------|--------------------------------|--------------|------------|--------------|
| | # | % | # | % | # | % |
| <50% | 11 | 11.8 | 4 | 17.4 | 15 | 12.9 |
| 50% - 79% | 43 | 46.2 | 12 | 52.2 | 55 | 47.4 |
| 80% - 119% | 18 | 19.4 | 4 | 17.4 | 22 | 19.0 |
| 120% > | 21 | 22.6 | 3 | 13.0 | 24 | 20.7 |
| Total | 93 | 100.0 | 23 | 100.0 | 116 | 100.0 |

Source: Credit Union loan files

LOAN ORIGINATIONS BY INCOME OF BORROWER BY DOLLAR AMOUNT

| % of Median MSA Income | 2001 | | Year-to-Date March 31, 2002 | | Total | |
|------------------------|--------------|--------------|--------------------------------|--------------|--------------|--------------|
| | \$(000) | % | \$(000) | % | \$(000) | % |
| <50% | 120 | 11.5 | 30 | 10.9 | 150 | 11.3 |
| 50% - 79% | 468 | 44.6 | 125 | 45.3 | 593 | 44.8 |
| 80% - 119% | 167 | 15.9 | 44 | 15.9 | 211 | 15.9 |
| 120% > | 294 | 28.0 | 77 | 27.9 | 371 | 28.0 |
| Total | 1,049 | 100.0 | 276 | 100.0 | 1,325 | 100.0 |

Source: Credit Union loan files

As the above tables indicate, the majority of loans were made to borrowers of moderate income, with 47.4 percent of the number of loans and 44.8 percent of the dollar amount of loans made within that income category. Following this was upper-income borrowers who received 20.7 percent of the number of loans and 28.0 percent of the dollar amount of loans during the period examined.

It should be noted that the vast majority of the consumer loans reviewed are granted to single applicants. Therefore, the percentage of originations to low and moderate-income members is somewhat higher since incomes are compared to median family income, which has the effect of somewhat skewing the distribution towards low and moderate-income levels.

During the period under review, the credit union originated one HMDA reportable loan. In 2001 the credit union originated a \$15,900 home improvement loan to middle-income individuals.

Based upon the analysis of consumer loans by borrower income, it appears that the credit union's lending is adequately distributed to borrowers of various income levels, including those of low and moderate-income. Performance in this category is therefore considered to meet the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

As mentioned above, since the credit union had previously identified its membership as its assessment area, as permitted under 209 CMR 46.41, no evaluation of geographic performance factors was performed.

5. REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the credit union's public comment file and its performance relative to fair lending policies and practices the institution meets the standards for satisfactory performance.

REVIEW OF COMPLAINTS

The credit union has not received any complaints from members regarding its CRA performance.

FAIR LENDING

Management of River Works Credit Union has developed and implemented a written Fair Lending Policy that is reviewed and voted on by the Board annually. The policy adequately details the credit union's procedures as it relates to the guidelines set forth in the Division of Bank's Fair Lending Regulatory Bulletin 101-2.3.

Management of the credit union appears to recognize the importance of fair lending and have scheduled monthly in-house training sessions for all personnel. Management and Credit Committee members have participated in an outside Fair Lending Training and have also educated the full Board on Fair Lending issues as well as provided each Board member with materials obtained from an outside training workshop. The credit union staff currently consists of 17 employees, 3 of who are fluent in Spanish, Italian and Greek.

The performance levels achieved by the credit union in lending to borrowers of different income levels indicates that the credit products offered and the marketing efforts of the

credit union are responsive to the needs of its membership. The Credit Committee reviews all approved loans and denied applications to ensure compliance with the underwriting standards contained in the Lending Policy. In addition, a comparison of all approved and denied applications is presented to the Audit Committee to ensure compliance with Fair Lending Regulations.

Minority Application Flow

No analysis of minority applications was conducted since the credit union has made only consumer loans, on which the request for racial information is prohibited.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

RIVER WORKS CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **APRIL 30, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.